The New Deal Ends

THREE recent announcements made almost simultaneously indicate that the Roosevelt Administration has swung far to the right in preparing the setting for the coming election campaign. First is the statement in the President's letter to the American Bankers' Association that "evidences of great recovery are at every hand...with cooperation between banks, business, and government...we will soon solve our remaining problems." This view was amplified by Secretary Roper at the annual dinner of the Associated Grocers Manufacturers, when he declared that "the basic program of reform has been completed." And to make certain that his point should not be misconstrued, he added, "As long as we maintain our present capitalistic system, and it will be maintained, no obstructions or deterrents must be permanently set up to prevent fair and reasonable profits." On the same day it was announced that federal expenditures would be cut by half a billion dollars.

It is easy to say that the President is merely playing politics, that once the election is over he will again turn to the main task of reforming our economic and social order. But with all due respect to Mr. Roosevelt's undoubted political sagacity, we would raise the question whether his open bid for business support at this moment is not bad politics as well as bad economics. Mr. Roosevelt was swept into office by an overwhelming majority on the promise of a "new deal" for the small man. In view of the fact that the reforms actually achieved during his three years in office have fallen far short of his promises, it is not reasonable to conclude that the drift away from the President is caused by disillusionment: rather than by concern over his alleged attack on fundamental American institutions?

To declare that the program of reform is completed when ten million Americans are still unemployed, when millions are being removed from government relief rolls and thrown on the inadequate resources of state and private charity, is sheer hypocrisy. The collapse of the WPA and the farcical nature of the security act leave the Administration with very little which it can point to as benefiting the average voter. It is true that there has been a measure of business recovery, but this has been relatively far more helpful to business than to labor. Wages have risen, but no more than the cost of living. Employment has expanded, but not nearly so rapidly as business activity. Factory payrolls—as distinguished from those in the non-manufacturing industries—have nearly doubled since March, 1933, as compared with an eightfold gain in industrial profits. One glance at the chart of industrial earnings during the past three years as compared with those of 1930-32 should convince the toughest-skinned Tory that Mr. Roper's remarks about profits were fully consistent with the record of the Administration to date.

The bitter truth is, however, that no amount of prosperity and no promises of future cooperation are going to eliminate the hostility of certain sections of business toward Mr. Roosevelt. The President committed the unpardonable sin of suggesting that many of our financial leaders were not the paragons of civic virtue which they like to believe themselves. To come out now and say with Mr. Roper that "the misdeeds of the few have brought an indictment against the many" will scarcely atone for the earlier indictments of the "money changers."

We are not unduly concerned about the ambitions of the Administration at the next election. We are deeply disturbed, however, by the economic folly of a shift to the right at the present time. What recovery has occurred has been brought about largely by governmental expenditures. This flow of consumer purchasing power cannot be stopped or even tapered off without serious consequences. Basically, the economic situation at present is far less stable than at any time in the twenties. Real wages, which are the measure of the capacity of the population to absorb production, are nearly 15 per cent lower than in 1928. Owing to the tremendous increase in labor efficiency, production equal to that of 1929 might be reached and still leave six to eight million unemployed, who would have no buying power. Our export market, which furnished the escape from the dilemma of surpluses in the twenties, is apparently gone beyond recall. Moreover, the fact that profits have tended to rise more rapidly than wages or salaries indicates that the old bogey of underconsumption is bound to reappear as soon as large-scale government expenditures cease.

There are only two ways of keeping the wheels of industry turning. One is a fundamental reform program for redistributing the national income. The other, which is probably the most that can be expected from the present Administration, is a continuation of stop-gap measures involving the giving of large amounts of public money to various pressure groups. The tax program, the WPA, and the so-called security act were feeble gestures toward the first objective. But their effect has been more than offset by the informal price-fixing system introduced under the NRA, which has tended to remain despite the Supreme Court's action. If the Administration has not the courage to tackle the defects in our economic structure on the eve of an election, the very least it can do is to keep the machine running until a more suitable time arrives.

The Tories Apply a Lesson

THE British Conservatives have ridden to another victory on a non-partisan issue, repeating their strategy of 1931. And in their coming term they will reap partisan advantage from it, as they have done in the past four years. This is not healthy democratic practice, and it would not work at all, certainly not twice in succession, in a healthy Britain. But Britain since the war has been an ill land, where robust democracy has not been given a chance. Since the day when MacDonald was thrown out by the trick of the Zinoviev letter, the stage for elections has been rigged with frightening portents of calamities which have not existed. The election of 1931 was won by churning up a panic about the dangers of abandoning the gold standard. After the country had chosen the National Government as the only safe pilot in the storm, it developed that there was no storm, and that salvation by gold was a myth. The National Government, however, had learned a lesson